City of Fayetteville, Arkansas

HIGHWAY 71 EAST SQUARE REDEVELOPMENT DISTRICT NO. 1

PROJECT PLAN

As Amended by AMENDMENT No. 1

March 2005

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CITY OF FAYETTEVILLE, ARKANSAS
HIGHWAY 71 EAST SQUARE REDEVELOPMENT DISTRICT

PROJECT PLAN
AMENDMENT NO. 1

BACKGROUND

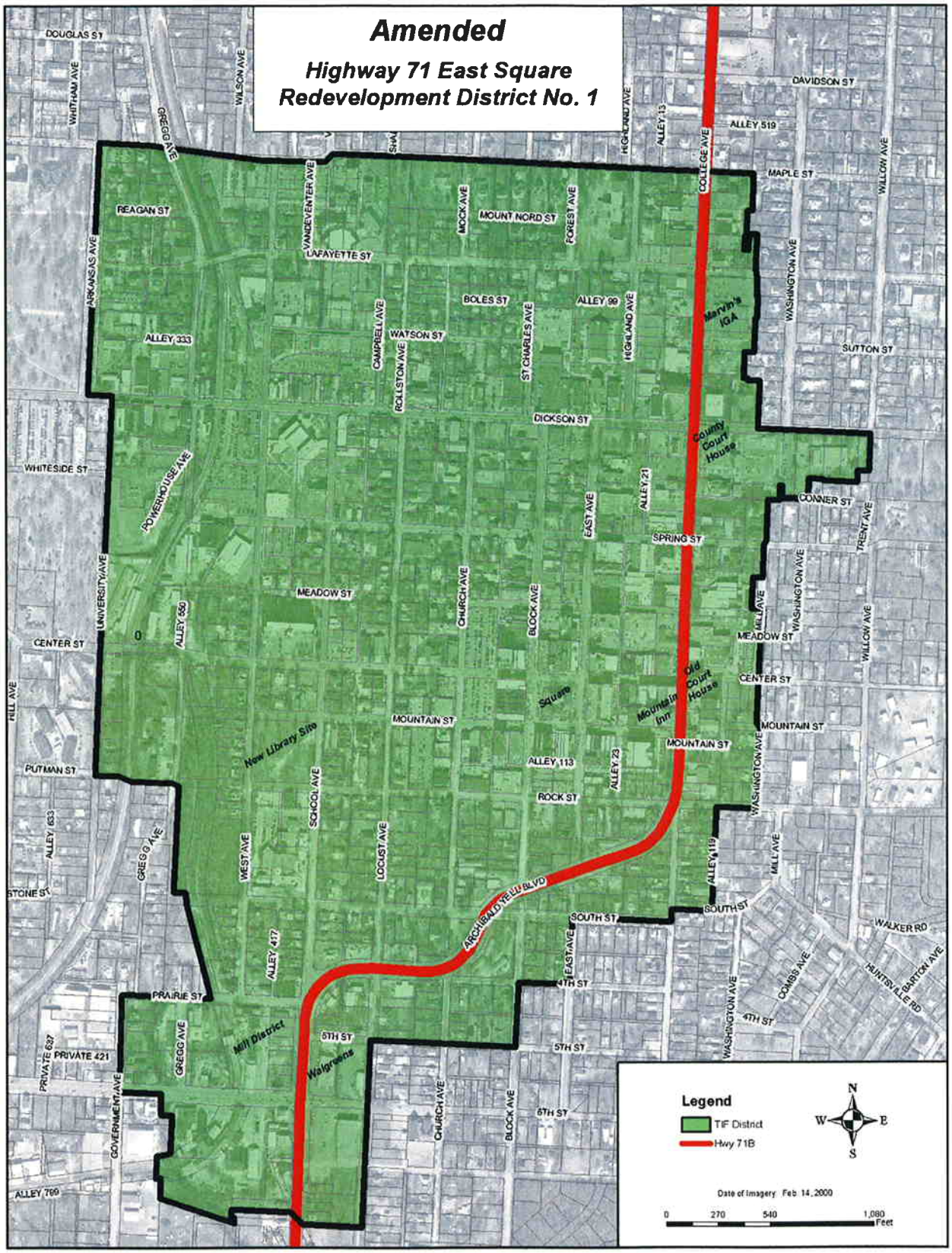
In light of the probable reduction in the amount of millage that can be included for the incremental financing of the original Project Plan, the plan has been amended so that only Phase I of the original Project Plan can go forward and be financed at this time. The original Phase II, of the project plan, has been deleted. A new project has been added to repair, replace, and connect sidewalks and construct a pedestrian crossing. This additional project can be funded from the sale proceeds from the property the redevelopment district will sell to redevelop the Mountain Inn site.

The original boundary for the Highway 71 East Square Redevelopment District was adopted by the Fayetteville City Council on August 17, 2004 and again on December 28, 2004 due to required additional notification (see Exhibit No. 1).

The City Council, on January 25, 2005, modified the existing boundaries of the Highway 71 East Square Redevelopment District No. 1 by Ordinance. No. 4673 to include additional areas that are located within the Downtown Master Plan (see Exhibit No. 2).

The project plan was first adopted at the December 7, 2004 City Council Meeting and readopted at the December 28, 2004 Special City Council Meeting due to additional notification requirements (see Exhibit No. 3).

The Project Plan is specifically designed to benefit the redevelopment district in the removal of designated blight coupled with the reinvestment in infrastructure to benefit the redevelopment district area and the City of Fayetteville as a whole. The geographical boundaries of the Highway 71 East Square Redevelopment District, as amended, are illustrated on the next page:



City of Fayetteville, Arkansas
HIGHWAY 71 EAST SQUARE REDEVELOPMENT DISTRICT NUMBER ONE
PROJECT PLAN AS AMENDED BY AMENDMENT NUMBER ONE

The Highway 71 East Square Redevelopment District Project Plan outlines the public purposes and investments in infrastructure that are targeted for the redevelopment district. The purpose of the district is to encourage the commercial and residential redevelopment of real property, thereby preventing the spread of blighted, deteriorated and deteriorating areas, and discouraging the loss of commerce, industry and employment.

The Project Plan, once adopted, may be amended over time by the Fayetteville City Council in order to ensure that the return to the public is invested in a manner that will ensure economic vitality in the district, as well as the district's impact on the City of Fayetteville.

The project plan contains two projects and includes proposed financing for both projects:

- **Project No. 1 - Process Of Removing Blight In The Former Mountain Inn Area -Catalyst Project (Funding: Bond Financing)**
- **Project No. 2. -City Sidewalk And Pedestrian Improvements – Repair And Replacement Of Existing Sidewalks, Pedestrian Crossing, And New Sidewalks To Fill In Missing Segments (Funding: Property Sale Proceeds)**

PROJECT NO. 1 - REDEVELOPMENT OF THE BLIGHTED MOUNTAIN INN AREA

The "catalyst" project in the district is the redevelopment of the blighted Mountain Inn area (see Section One). East Square, LLC, (The Developer) is proposing a $ 22.5 million investment into a destination hotel/meeting space/condominium project. Approximately $19 million of the proposed redevelopment is from private investments. An additional $3.5 million for the public purpose of eliminating the existing blight will be secured by Tax Increment Bonds issued by the redevelopment district. No TIF proceeds will be used for the construction of the buildings of the proposed project but will be limited strictly to public purposes allowed under the law for redevelopment districts.

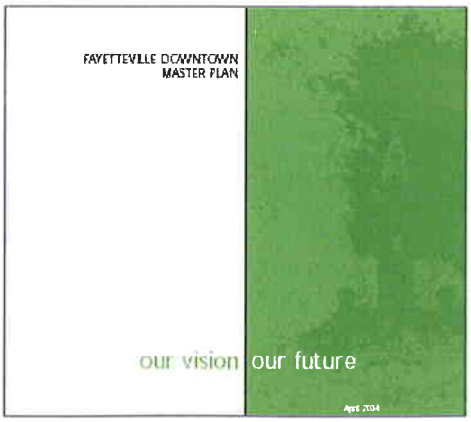
The Fayetteville City Council has adopted the Dover Kohl Downtown Master Plan (see Exhibit No. 13) which focuses on improvements in much of the area included in the approved TIF District. The adopted Downtown Master Plan identified as a clear priority the removal of the "eyesore" of the denigrated Mountain Inn.

PROJECT NO. 1 - REMOVAL OF BLIGHT

The project plan (the area identified as the Mountain Inn Project) for the Highway 71 East Square Redevelopment District targets the removal of blight as defined in Arkansas Statute 14-168-301. It reads as follows:

(3)(A) "Blighted area" means an area in which the structures, buildings, or improvements, by reason of dilapidation, deterioration, age or obsolescence, inadequate provision for access, ventilation, light, air, sanitation, or open spaces, high density of population and overcrowding or the existence of conditions which endanger life or property, are detrimental to the public health, safety, morals, or welfare.

(B) "Blighted area" includes any area which, by reason of the presence of a substantial number of substandard, slum, deteriorated or deteriorating structures, predominance of defective or inadequate street layout, faulty lot layout in relation to size, adequacy, accessibility, or usefulness, unsanitary or unsafe conditions, deterioration of site or other improvements, diversity of ownership, tax on special assessment delinquency exceeding the fair value of the land, defective or unusual conditions of title, or the existence of conditions which endanger life or property by fire and other causes, or any combination of such factors, substantially impairs or arrests the sound growth of a city, retards the provision of housing accommodations, or constitutes an economic or social liability and is a menace to the public health, safety, morals, or welfare in its present condition and use, or any area which is predominantly open and which because of lack of accessibility, obsolete platting, diversity of ownership, deterioration of structures or of site improvements, or otherwise, substantially impairs or arrests the sound growth of the community.



The recently adopted "Downtown Master Plan" contemplates specific key projects necessary for a fully revitalized downtown area. The Mountain Inn was identified as #3 in the list of immediate projects. The Downtown Master Plan states: "A key opportunity for infill development is the redevelopment of the Mountain Inn. The hotel, fronting College Avenue, has been vacant for a number of years. The existing structure is an eyesore…the location of the Mountain Inn among several other Downtown landmarks and historic

structures offers the opportunity to create a taller building - a new landmark-which signals the revival of downtown". For many years the remnants of the once premier lodging facility formerly known as the Mountain Inn have been decaying with little hope for a change in its blighted condition. In its day, the hotel was considered the destination of choice for travelers in the Fayetteville area as well as the hosting of other community traditions including Sunday brunch, regular business meetings, club events and wedding parties.

NORTHWEST ARKANSAS TIMES, Fayetteville

New Mountain Inn Motor Lodge

THE NEW MT. INN MOTOR LODGE
... something new in accommodations for the traveler

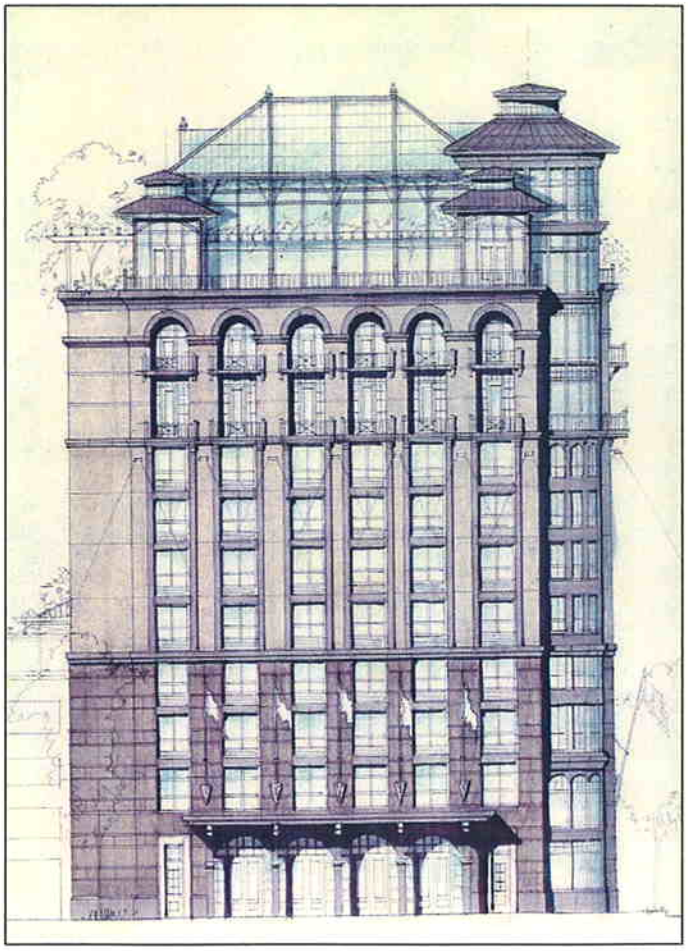
Unfortunately, the hotel through a series of unsuccessful ventures became an inconsistent host and ultimately an outdated lodging facility. During the same period that the Mountain Inn lost its luster the Fayetteville downtown area went into a period of degradation and many business operators, vendors and customers left the area. After years of wasting away, concerned citizens, local government leaders and developers came together to revitalize the historic Fayetteville downtown square as well as neighboring Dickson Street. This rebirth has been ongoing for the past fifteen years with the vast majority of the significant building in the Downtown/Dickson Street area being revived to support the business, cultural and entertainment center it has become.

In recent years multiple redevelopment projects have transformed parts of the downtown/Dickson Street area into a hub of culture, commerce and entertainment for northwest Arkansas. New construction and redevelopment projects of note that have emerged include: The Campbell Bell Building, The Ozark Theatre Building, The Three Sisters, UARK Bowl, The Bank Of Fayetteville Building, The Walton Arts Center, The Ozark Brew Pub, Carnall Hall, The Ice Plant Building, Rollston Building, Cooper House, Pyeatt Building, Campbell Terrace, Laundry Building, Bakery Building, Collier's Drug, The Old Post Office Building, The Town Center and the recently completed new Fayetteville Public Library. Some of the redevelopments are pictured below and on the next page:

Noticeably absent from this regenerative trend has been the Mountain Inn with its broken windows and boarded-up doorways sitting on its prominent position at the crest of Archibald Yell/College Avenue. Unfortunately, now, the once bustling hotel's only visitors consist of vandals, transients and the local police force.

Now with its neighbors alive with activity, the former Mountain Inn and other participating spaces will be transformed into a destination facility that will be unsurpassed in the Fayetteville market.

The planned development project will incorporate a 144 room full-service hotel, 18 condominiums, 12,500 sq. ft. conference/meeting space, three restaurants, a day spa, exercise center, boutique shops, a 300 space multi-story parking garage and a rooftop botanical garden with observation deck. The project in its entirety is known as the East Square Redevelopment Project.



The project's centerpiece is a planned full service national flagship hotel. The hotel will serve the mid-to-high end of the business traveler, short duration vacationer and meeting/event attendees. With a thoroughly defined design concept, the stylish hotel will offer the highest level of comfort and service along with the intrigue of its inviting amenities. The twelve-story main structure of the new hotel will be built on the existing site of the 1960's addition to the historic Mountain Inn. Condominiums will be built on the upper floors of the new structure.

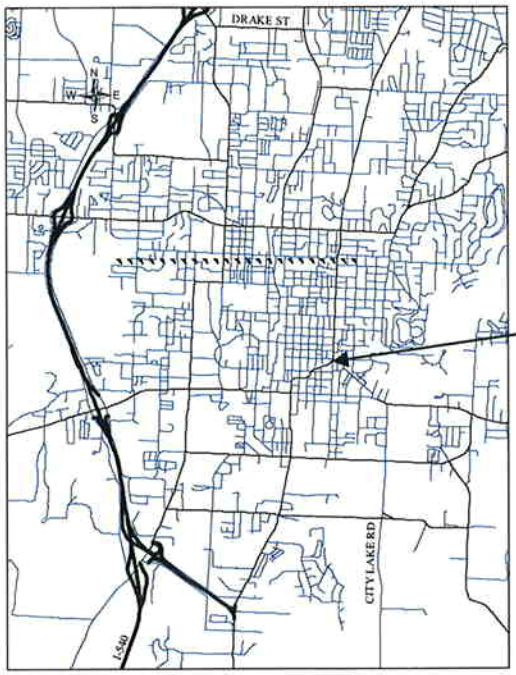
The architecturally pleasing section of the historic inn's arcade which faces Center Street will be preserved to accommodate pedestrian accessible boutique shops along the north/south lower level arcade and will house the day spa and function space on the upper floors. Banquet and conference facilities will be arranged in the northeast section of the complex with a multi-purpose ballroom and multiple flexible "break-out" meeting

spaces. The planned botanical garden will be the crown jewel of the facility positioned on the rooftop of the main hotel building.

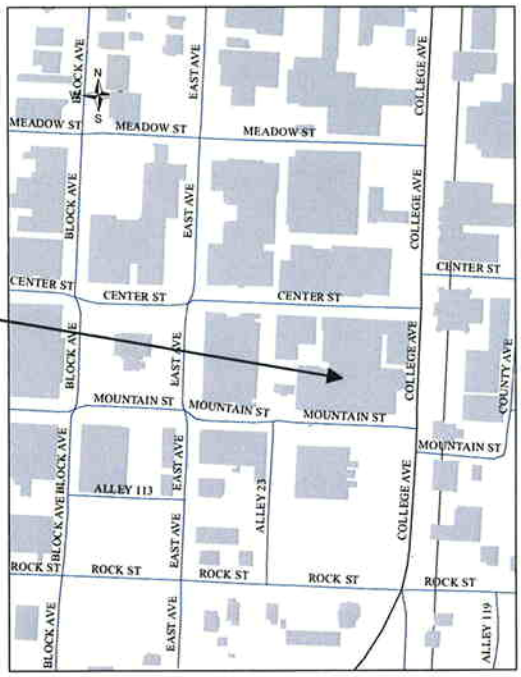
The project will combine complementary architecture, functional access, technological amenities and comfortable furnishings of subtle ambience to satisfy visitors with the facility.

The proposed subject property is anticipated to be complete and operational in or near the Winter of 2006. No rezoning is required for the project.

The project is located one block east of the heart of the downtown business district. It is conveniently located less than five minutes from the University of Arkansas, a short walk to the Fayetteville Town Center, within walking distance of the Dickson Street entertainment district, the University of Arkansas, the Walton Arts Center and approximately ten minutes from the I-540 north/south corridor. The following maps illustrates the development's location:



Mountain Inn Project Site



PROJECT NO. 1 - REAL PROPERTY ASSEMBLY, DEMOLITION AND SITE PREPARATION

The Tax Increment Bonds to be issued by the Highway 71 East Square Redevelopment District will finance certain allowable public purposes as outlined by the enabling legislation Arkansas Code Annotated 14-168-301 through 14-168-323, Redevelopment District, Chapter 168, Community Redevelopment Generally, Subchapter 3, Community redevelopment — Creation and procedures. Specifically as described in 14-168-301(13A-E):

"(13)(A) "Redevelopment project" means an undertaking for eliminating or preventing the development or spread of slums or deteriorated, deteriorating, or blighted areas, for discouraging the loss of commerce, industry, or employment, or for increasing employment, or any combination thereof.

(B) A redevelopment project may include one (1) or more of the following:

(i) The acquisition of land and improvements, if any, within the redevelopment district and clearance of the land so acquired; or

(ii) The development, redevelopment, revitalization, or conservation of the project area whenever necessary to provide land for needed public facilities, public housing, or industrial or commercial development or revitalization, to eliminate unhealthful, unsanitary, or unsafe conditions, to lessen density, mitigate or eliminate traffic congestion, reduce traffic hazards, eliminate obsolete or other uses detrimental to the public welfare, or otherwise remove or prevent the spread of blight or deterioration; or

(C) The financial or other assistance in the relocation of persons and organizations displaced as a result of carrying out the redevelopment project and other improvements necessary for carrying out the project plan, together with such site improvements as are necessary for the preparation of any sites and making any land or improvements acquired in the project area available, by sale or by lease, for public housing or for development, redevelopment, or rehabilitation by private enterprise for commercial or industrial uses in accordance with the plan;

(D) The construction of capital improvements within a redevelopment district designed to alleviate deteriorating conditions or a blighted area or designed to increase or enhance the development of commerce, industry, or housing within the redevelopment district; or

(E) Any other projects the local governing body deems appropriate to carry out the purposes of this subchapter;"

In particular the public purposes of the improvements financed by Tax Increment Financing include acquisition costs, asbestos remediation, demolition expenses, reclamation expenditures, waste recycling and site work on the site of the former Mountain Inn area.

The Redevelopment District shall pay not more than $2,613,000 for real property assembly costs and $887,000.00 for demolition and site preparation work for a total of $3,500,000 as shown below. If this work does not require the full $887,000.00, the remainder shall be used to pay debt service on the TIF bonds.

After demolition of the properties purchased by the Redevelopment District pursuant to the Project Plan, the property cleared by the City shall be sold to the developers for Three Hundred Thousand Dollars ($300,000.00) of which $120,000 shall be used to pay the interest and reduce the debt of the bonds. The remaining $180,000 shall fund the Sidewalk Project No. 2.

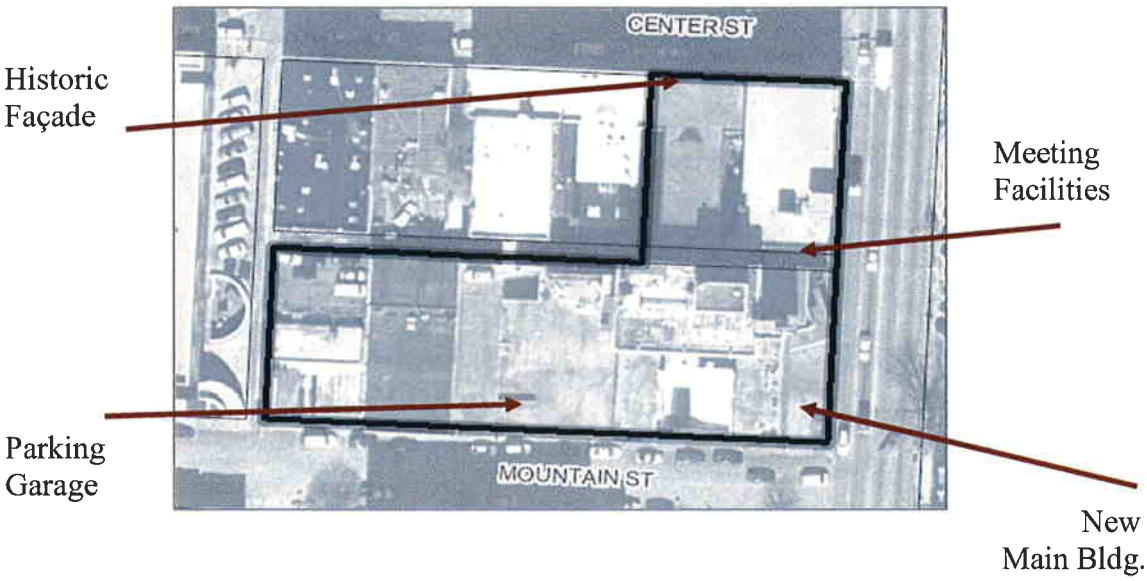
The expenditures are as follows:

Expenditures				
1 *Real Property Assembly costs:			**$**	**2,613,000.00**
	765-01940-000,765-01930-000	$ 1,200,000.00		
	765-01938-000	$ 500,000.00		
	765-01939-000	$ 500,000.00		
	765-01929-000	$ 413,000.00		
2 **Demolition & Site Preparation:			**$**	**887,000.00**
			$	**3,500,000.00**

* No Condemnation procedures will be utilized for the Mountain Inn Project
** Demolition and Site Preparation expenditures include the following:

A. Resolution of access issues
B. Resolution of utilities as needed
C. Water/sewer system upgrades as required
D. Layout & engineering
E. Asbestos and other environmental remediation

The following aerial photograph delineates the Mountain Inn Project site:

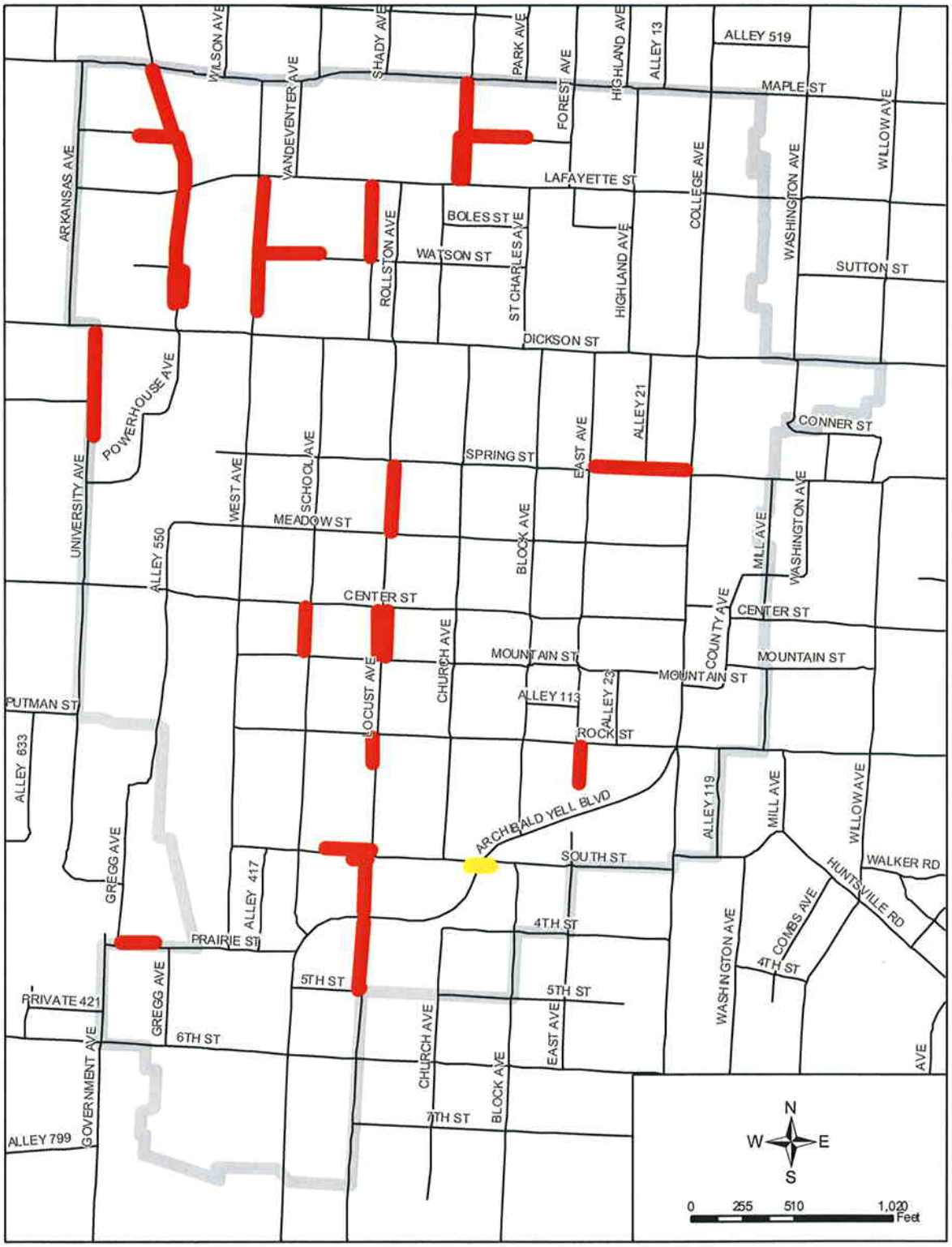


PROJECT NO. 2 CITY SIDEWALK AND PEDESTRIAN IMPROVEMENTS – REPAIR AND REPLACEMENT OF EXISTING SIDEWALKS, PEDESTRIAN CROSSING, AND NEW SIDEWALKS TO FILL IN MISSING SEGMENTS

The second project that will be funded by the Redevelopment District is to repair, replace, connect sidewalks together where gaps occur, and to install a pedestrian crossing at the intersection of South Street and Archibald Yell similar to the one constructed at the Frisco Trail where it crosses Center Street. This pedestrian crossing must be approved by the Arkansas Highway and Transportation Department (AHTD) and may be moved to a nearby location if required by AHTD. This project will be funded from $180,000 of the sale proceeds from the acquired property by the Redevelopment District to the developers of the Mountain Inn.

A total of 7,275 linear feet of sidewalk is proposed to be repaired, replaced, and constructed. This work would be completed by the City's Transportation Department over a 3 to 5 year period. A detailed listing and maps of specific streets, length, side of street, and estimated costs are shown on the next two pages. Detailed maps showing the location of the proposed improvements can be found in Exhibit No. 5.

Street	Between or Near	Side of Street	Length Feet	Estimated Cost $16/Linear Foot 4 Foot Wide*
Prairie Street	East of Gregg	Northside	170	$2,720
Locust Ave.	Archibald to South	Westside	280	$4,480
South Street	West of Locust	Southside	80	$1,280
South Street	West of Locust	Northside	230	$3,680
Locust Avenue	5th to Archibald	Westside	340	$5,440
Locust Avenue	South of Rock	Westside	135	$2,160
East Avenue	South of Rock	Eastside	190	$3,040
School Avenue	Center to Mountain	Westside	230	$3,680
Locust Avenue	Center to Mountain	Westside	230	$3,680
Locust Avenue	Center to Mountain	Eastside	230	$3,680
Locust Avenue	Meadow to Spring	Eastside	330	$5,280
West Avenue	Lafayette to Watson	Eastside	360	$5,760
West Avenue	Watson to Dickson	Eastside	280	$4,480
Watson Street	West of West Ave.	Northside	320	$5,120
Campbell Ave.	Lafayette to Watson	Westside	360	$5,760
Spring Street	East to College	Northside	470	$7,520
Mock Avenue	Maple to Mt. Nord	Eastside	270	$4,320
Mock Avenue	Mt. Nord to Lafayette	Eastside	200	$3,200
Mock Avenue	Mt. Nord to Lafayette	Westside	215	$3,440
Mt. Nord Street	East of Mock	Northside	320	$5,120
Gregg Avenue	Maple to Reagan	Westside	330	$5,280
Gregg Avenue	Reagan to Lafayette	Westside	255	$4,080
Reagan Street	West of Gregg	Southside	200	$3,200
Gregg Avenue	South of Lafayette	Westside	560	$8,960
Gregg Avenue	North of Dickson	Eastside	160	$2,560
University Ave.	South of Dickson	Eastside	530	$8,480
		Total Feet	**7275**	**$116,400**
South Street and Archibald Yell Pedestrian Crossing				**$20,000**
Curb and Gutter Replacement, Driveway Approaches, Storm Drainage				**$20,650**
		Total		**$157,050**
*** Note: $4.00/ Square Foot includes removal and disposal of existing sidewalk**		**Contingency 15%**		**$22,950**
				$180,000



Proposed Sidewalk Locations
Pedestrian Crossing

City of Fayetteville, Arkansas
HIGHWAY 71 EAST SQUARE REDEVELOPMENT DISTRICT NUMBER ONE
PROJECT PLAN AS AMENDED BY AMENDMENT NUMBER ONE

AUTHORIZATION OF INJUNCTIVE OR DECLARATORY JUDGMENT SUIT VERSUS WASHINGTON COUNTY ASSESSOR

Passage of the ordinance to adopt this Amended Project Plan necessitates an injunction or declaratory judgment suit be filed requesting that the Circuit Court determine the proper division of increment millage in the Assessor's certification of the "debt service ad valorem" rate and the "applicable ad valorem rate" for the enlarged district in accordance with Constitutional mandates. Therefore, passage of this Amended Project Plan and the TIF trust indentures requires that the City Attorney to file such declaratory judgment or injunctive suit so the statutory and constitutional issues regarding appropriate ad valorem rates can be decided by the Court.

FINANCING METHODS

The methods of financing all estimated project costs for the real property assembly, demolition and site preparation shall be by the issuance of TIF bonds or notes. The TIF bonds (secured by a pledge of all TIF revenues of which at least 3.16 are of unchallenged legality) shall be made as soon as possible in order to secure sufficient financing to purchase all the property by April 20, 2005. The repair and replacement of existing sidewalks, pedestrian crossing, and new sidewalks to fill in missing segments shall be funded from $180,000 of the $300,000 that is paid to the Redevelopment District when the property is sold. The remaining $120,000 shall go towards paying off the bonds issued for the real property assembly, demolition and site preparation project.

ZONING ORDINANCES AND OTHER PROJECT COSTS

The project does not require or propose any changes of zoning ordinances. The Downtown Master Plan calls for the removal of the Mountain Inn blighted area as a top priority. Apart from economic analysis, bond counsel and underwriting costs and because of lack of sufficient TIF revenue, no other "non-project costs" are anticipated to be paid by TIF financing.

NO RELOCATIONS REQUIRED

No persons should have to be relocated as all buildings sought to be demolished are vacant.

TOTAL INDEBTEDNESS

The total principal amount of indebtedness to be incurred is approximately $4.2 million which includes the cost of issuing the bonds and establishing a reserve fund. If the principal is not paid off until 2029, the total accumulated interest amount will approximate 17 million. The total tax increment for the 25 year life of this project is

based upon 3.16 mills. Additional detailed financing information is available in Exhibit No. 11. No other revenues are anticipated to be used to secure the tax incremental financing.

FUTURE OPTIONS

If tax incremental financing revenues exceeds the projections because more millage is or becomes legally available to the Redevelopment District or property valuation growth exceeds the economic forecast, a project in the western part of the district such as the extension of the Frisco Trail to the Scull Creek Trail or additional sidewalk and pedestrian crossing improvements may be undertaken by the City Council then serving.

PROFESSIONAL SERVICES

The District may engage as may be necessary professional advisors, consultants, attorneys and other TIF specialists to carry out the project plan and related financings.

APPLICATION OF DISTRICT REVENUES

All tax increment collected will be used to cover district indebtedness and/or other direct district expenses including initial bonded debt and additional bonds that may be issued as district revenues permit. All revenues shall be pledged to retire the district's indebtedness for the initial TIF bonds in accordance with bond covenants and obligations until fully paid.

INTEREST EARNINGS

All interest earnings will be used towards debt service obligations on issued Tax Increment Financing bonds/notes. Earnings may be applied to the payment of interest and any prepayment of debt obligations as may be permitted.

DIRECT ECONOMIC IMPACTS

-Approximately 125 new jobs will be created in connection with the catalyst project
-Construction jobs estimated at 55
-Increase in demand in consumer goods during construction period
-Improved Property Values upon removal of blight
-Tourism attraction drawing tourist dollars to Fayetteville
-Adjunct to convention/meeting space for attracting additional conventions, etc.
-Creates a catalyst for additional redevelopment along College/Archibald Yell
-Promotes additional downtown living, thereby adding vitality to Fayetteville's

downtown economy
-New tax revenues (estimated on catalyst project only):
1) Sales tax of approximately $153,750 annually
2) HMR tax collections of approximately $60,000 annually

HIGHWAY 71 EAST SQUARE REDEVELOPMENT DISTRICT NO. 1 PROJECT PLAN

EXHIBIT No.1

Ordinance No. 4608 and 4662 Creating the District

ORDINANCE NO. 4608

MICROFILMED

AN ORDINANCE FORMING THE HIGHWAY 71 EAST SQUARE REDEVELOPMENT DISTRICT NUMBER ONE PURSUANT TO AMENDMENT 78 OF THE ARKANSAS CONSTITUTION AND AUTHORIZING THE PREPARATION OF A PROJECT PLAN

WHEREAS, the City Council after 15 day published notice has held a public hearing at which all interested parties were given the opportunity to express their views on the proposed creation of the Highway 71 East Square Redevelopment District Number One of Fayetteville, Arkansas and its proposed boundaries; and

WHEREAS, prior to publication, a copy of said notice was sent by first-class mail to the chief executive officer of all local governmental and taxing entities having the power to levy taxes on property located within the proposed Highway 71 East Square Redevelopment District Number One of Fayetteville, Arkansas, and to the school board of any school district which includes property located within the proposed Highway 71 East Square Redevelopment District Number One of Fayetteville, Arkansas; and

WHEREAS, the City Council has designated the boundaries of the proposed Highway 71 East Square Redevelopment District Number One, of Fayetteville, Arkansas.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF FAYETTEVILLE, ARKANSAS:

Section 1: That the City Council of the City of Fayetteville, Arkansas hereby establishes the boundaries of the Highway 71 East Square Redevelopment District Number One of Fayetteville, Arkansas as set forth on the map attached hereto as Exhibit "A" and incorporated herein.

Section 2: That the City Council of the City of Fayetteville, Arkansas hereby names the District the following name for identification purposes: Highway 71 East Square Redevelopment District Number One of Fayetteville, Arkansas.

Section 3: That the City Council of the City of Fayetteville, Arkansas hereby creates the Highway 71 East Square Redevelopment District Number One of Fayetteville, Arkansas as of September 20, 2004.

Section 4: That the City Council hereby finds that the real property within the Highway 71 East Square Redevelopment District Number One of Fayetteville, Arkansas, will be benefited by the redevelopment project by eliminating or preventing the

development or spread of blighted, deteriorated, or deteriorating areas, or discouraging the loss of commerce, or employment, or increasing employment, or any combination thereof.

Section 5: That the City Council of the City of Fayetteville, Arkansas hereby creates a separate and special fund into which shall be deposited all tax increment revenues, and all other revenues designated by the City for the benefit of the Highway 71 East Square Redevelopment District Number One of Fayetteville, Arkansas. All project costs shall be paid from this fund. This fund shall be known as the Highway 71 East Square Redevelopment District Number One of Fayetteville, Arkansas.

Section 6: That the City Council of the City of Fayetteville, Arkansas hereby authorizes the preparation of a Redevelopment Project.

PASSED and **APPROVED** this 17th day of August, 2004.

APPROVED:

By: _____
DAN COODY, Mayor

ATTEST:

By: _____
SONDRA SMITH, City Clerk

CITY CLERK/TREASURER CITY OF FAYETTEVILLE ARKANSAS WASHINGTON COUNTY